

FISCAL IMPACT STATEMENT ON BILL NO. **S.1035**

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TO:	The Honorable Glenn McConnell, Chairman, Senate Judiciary Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Beth Campbell, Rodney Grizzle and Allan Kincaid		
DATE:	February 10, 2006	SBD:	2006041

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AUTHOR:	Senator Richardson	PRIMARY CODE CITE:	42-1-180
SUBJECT:	Workers' Compensation Reform		

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ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:  
See Below

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:  
See Below

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**BILL SUMMARY:**

The proposed Bill would amend the Code of Laws of South Carolina, 1976, by adding Section 42-7-315 so as to provide for the orderly dissolution of the Second Injury Fund and to provide for subsequent actions to be taken by the State Budget and Control Board relating to winding down the operations of the fund. Section 10 of the Bill increases the number of Workers' Compensation Commission members from seven to eleven. Further, the Bill adds and amends sections affecting the payment of compensation claims.

**EXPLANATION OF IMPACT:**

State Budget & Control Board

Since Section 42-7-315(C) of the Bill provides that funding for the audit and report must be obtained from funds deposited in the fund's trust fund, there will be no impact on the General Fund of the State.

Workers' Compensation Commission

Enactment would increase the number of Commissioners from seven to eleven. Current law, Section 42-3-60, allows each commissioner to employ a secretary. The annual cost to the General Fund of adding 4.00 FTEs for Commissioners and 4.00 FTEs for Administrative Assistants is \$920,495 for salary, fringe and other operating expenses. There is a non-recurring General Fund cost of \$39,000 for one-time office set-up.

State Accident Fund

The State Accident Fund estimates this Bill will reduce workers' compensation claims expenses that will translate into a reduction in premiums (paid by governmental entities) of approximately \$12 million. Premiums are paid by state agencies from State General Funds as well as Federal and Other Funds. Reduced expenses should result from various amendments to existing statutes including changes to Section 42-9-30 which would reduce total and permanent awards by an average of 40% thereby reducing claims costs by 20-25%. In addition, amendments restrict compensation payments when alcohol or drugs are present at the time of the accident, and minimal savings are projected to result from reduced litigation costs.

Dissolution of the Second Injury Fund may indirectly result in a minimal increase in premiums. However, this increase is anticipated to be short-term and is projected to be offset by anticipated long-term savings noted above.

### Second Injury Fund

The Agency has indicated there will not be a significant cost to Federal and/or Other Funds until December 2010, when the agency no longer accepts claims.

### Attorney General's Office

The Office reports they will require 1.00 additional FTE for a Forensic Accountant at an annual cost to the General Fund of \$133,700 for salary, fringe and other operating expenses. They would also need \$8,200 in non-recurring General Fund dollars to establish this new position.

### Judicial Department

The Department indicates this Bill will have no fiscal impact on the General Fund of the State or on Federal and/or Other Funds.

### Department of Corrections

The Department indicates this Bill will have no fiscal impact on the General Fund of the State or on Federal and/or Other Funds.

### **LOCAL GOVERNMENT IMPACT:**

None.

### **SPECIAL NOTES:**

The Second Injury Fund has indicated the dissolution of the Fund would lead to an increase in workers' compensation insurance premiums for private employers. The increase, based on NCCI estimates, could be as much as 25%.

Approved by:

A handwritten signature in black ink that reads "Don Addy". The signature is written in a cursive, flowing style.

Don Addy  
Assistant Director, Office of State Budget